

## Message Text

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PAGE 01 STATE 035263  
ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-08 /019 R

DRAFTED BY COM/BED/CAGNE/LSCHERMERHORN:E  
APPROVED BY EB/OCA:WERAU  
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COM/BED/CAGNE/JLILL  
COM/BED/CAGNE/RRUAN(DRAFT)  
COM/BED/CAGNE/PBHALE  
COM/BED/OIM/CGENDREAU(DRAFT)  
STATE/EB/OCA/WRAU  
STATE/NEA/RA/DMORRISON (INFO)  
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FM SECSTATE WASHDC  
TO AMEMBASSY TEHRAN

UNCLAS STATE 035263

E.O. 11652: N/A

TAGS: BEXP, AFSP, IR

SUBJECT: COUNTRY COMMERCIAL PROGRAM FOR IRAN - FY-1979  
GUIDANCE

REF: (A) THERAN 77 A-45; (B) STATE 044899; (C) STATE 00118

1. THE FOLLOWING ADDRESSES THE PRELIMINARY FY-1979 CCP  
CONVEYED BY REFAIR IN RESPONSE TO STATE 044899. IT IS  
PROVIDED AS GUIDANCE TO ASSIST IN FORMULATION OF THE  
MISSION'S DRAFT CONTRIBUTIONS FOR FY-1979 PURSUANT TO  
REFTEL (C).

2. DEVELOPMENTS WHICH STRIKES US AS SIGNIFICANT FOR THE  
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PAGE 02 STATE 035263

THRUST OF THE 1979 PROGRAM CENTER ON ELEMENTS OF THE SIXTH  
PLAN, WHICH SHOULD BE PUBLISHED SHORTLY AND WILL COVER THE  
PERIOD BEGINNING MARCH 21, 1978. OBSERVERS EXPECT THAT THE  
PLAN WILL REFLECT RECOGNITION BY CENTRAL PLANNERS THAT THE  
ECONOMY NEEDS TO SETTLE DOWN TO A MORE MANAGEABLE GROWTH  
RATE AND PROVIDE FOR VIGOROUS ORDERING OF PRIORITIES

WITHIN THE CONTINUING ROAD GOALS OF INFRASTRUCTURE DEVELOPMENT AND SOCIAL WELFARE PROGRESS. THE IMPORTANCE OF STRIKING A BALANCE BETWEEN ACHIEVING SOCIAL GOALS AND DEVELOPING ALTERNATE FOREIGN EXCHANGE EARNINGS IN A PERIOD OF RAPIDLY RISING EXPECTATIONS IS READILY APPARENT. (A)

THE GOVERNMENT OF IRAN WILL NO DOUBT CONTINUE AND INCREASE ITS EFFORTS TO ATTRACT FOREIGN INVESTORS AS A MEANS OF TRANSFERRING TECHNOLOGY RAPIDLY TO AN ENVIRONMENT SEVERELY LACKING IN QUALITATIVE LABOR SKILLS. (B) CONTINUING AND INCREASINGLY STRONG MARKETING EFFORTS BY JAPAN AND MAJOR EUROPEAN COUNTRIES, OFTEN BUTTRESSED BY FINANCING OR OTHER GOVERNMENT SUBSIDIES, WILL NECESSITATE STRONG PERSONALIZED MARKETING EFFORTS BY U.S. SUPPLIERS IN ORDER TO MAINTAIN PRESENT U.S. MARKET SHARES. (C) THE TIGHT LOCAL COMMERCIAL MONEY SITUATION IN IRAN, COUPLED WITH APPARENT RELUCTANCE ON THE PART OF THE GOVERNMENT OF IRAN TO EMBARK ON A SUFFICIENTLY LARGE DEFICIT FINANCING PROGRAM TO ACTIVATE CASH FLOW FOR MAJOR PROJECTS, HAS INCREASED THE IMPORTANCE WHICH BOTH PUBLIC AND PRIVATE SECTORS GIVE TO PROPOSALS WHICH INCLUDE A FINANCING PACKAGE. (D) A DEGREE OF UNCERTAINTY REGARDING THE IMPACT OF EQUITY LIMITATIONS FOR FOREIGN INVESTORS AND OF THE 49 PER CENT SHARE DISTRIBUTION PROGRAM IS STILL PERCEIVED, HOWEVER, AS AN OBSTACLE TO RATIONAL DECISION MAKING BY PROSPECTIVE INVESTORS. (E) DURING THE PERIOD OF THE SIXTH PLAN A LARGE NUMBER OF PROCUREMENT DECISIONS IN BOTH THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 035263

PUBLIC AND PRIVATE SECTORS WILL BE MADE IN BASIC INDUSTRIES OR DESIGN CONCEPTS WHICH WILL INFLUENCE MEDIUM AND LONG-TERM MARKET SHARE FOR U.S. SUPPLIERS.

3. WE BELIEVE WE CAN BEST ASSIST U.S. BUSINESS IN THE IRANIAN MARKET BY ENCOURAGING SUPPLIERS OF SERVICES, EQUIPMENT, OR PRODUCTS IN FIELDS WHICH CONTRIBUTE TOWARD STATED SOCIAL GOALS SUCH AS HEALTH CARE AND EDUCATION OR WHICH CONTRIBUTE TO BASIC INDUSTRY OR INFRASTRUCTURE DEVELOPMENT. THE LACK OF ADEQUATE NUMBERS OF TRAINED WORKERS AT ALL SKILL LEVELS AND THE RAPIDLY INCREASING COST OF LABOR IN GENERAL ALSO PROVIDES EXCELLENT OPPORTUNITIES FOR PRODUCTS WHICH ASSIST INDUSTRIES IN MOVING RAPIDLY FROM A LABOR INTENSIVE STRUCTURE. U.S. FIRMS SHOULD BE COGNIZANT OF THE NEED FOR PRESENTING COMPREHENSIVE PROPOSALS WHICH INCLUDE, AS APPROPRIATE, TRAINING, AFTERSALES SERVICE, AND MANAGEMENT INPUT IN ORDER TO COMPETE EFFECTIVELY WITH JAPANESE AND EUROPEAN FIRMS' PROPOSALS. FIRMS WHICH HAVE THE POTENTIAL FOR AND INTEREST IN CONCLUDING A LICENSING, ROYALTY, OR JOINT VENTURE AGREEMENT AT SOME TIME IN THE FUTURE OFTEN HAVE

BETTER PROSPECTS FOR PENETRATING THE IRANIAN DIRECT SALES MARKET.

4. THE TENTATIVE CAMPAIGNS OUTLINED IN REF (A) APPEAR TO ACCORD WELL WITH SIGNIFICANT ECONOMIC DEVELOPMENTS AND CORRESPOND WELL TO THE BEST PROSPECTS REPORT, WHICH, TOGETHER WITH THE PRELIMINARY CCP, WAS DRAWN UPON IN

DEVELOPING THE FY-1979 EVENT SCHEDULE. HOWEVER, THE DECISION NOT TO PARTICIPATE IN TWO TENTATIVELY SCHEDULED OFF-SITE SHOWS (CONSTRUCTION '79 AND IRAN MED) REQUIRES RESTRUCTURING OF THE CAMPAIGN ACTIONS. WE SUGGEST THAT THREE ACTIONS BE SUBSTITUTED FOR PARTICIPATION IN CONSTRUCTION '79 UNDER CAMPAIGN 1-CONSTRUCTION, MINING AND MATERIALS HANDLING EQUIPMENT: (1) FOLLOW-UP OF THE UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 035263

FY-78 SHOW ON WAREHOUSING SYSTEMS (FOLLOW-UP OF PROMOTION AND VISITORS' LIST TO IDENTIFY 10-20 TRADE OPPORTUNITIES FROM PROSPECTS WHOSE NEEDS MAY NOT HAVE BEEN MET BY EXHIBITION PARTICIPANTS); (2) ASSISTANCE TO THE CITY OF DALLAS TRADE MISSION (NOVEMBER 1978) IN BUILDING AND CONSTRUCTION; AND (3) PROMOTION OF ATTENDANCE AT THE OCTOBER 1978 LAS VEGAS MINING SHOW A FOREIGN BUYERS' EVENT FOR 1978). ACTIONS UNDER CAMPAIGN TWO-HEALTH CARE EQUIPMENT SHOULD BE AMENDED TO SUBSTITUTE ASSISTANCE TO THE TRADE CENTER IN PROMOTION OF THE NOVEMBER 1978 MEDICAL EQUIPMENT SHOW FOR PARTICIPATION IN IRAN MED. AN ADDITIONAL ACTION MIGHT BE IDENTIFICATION OF SPECIFIC SUPPLIER OPPORTUNITIES IN CONNECTION WITH THE CONSTRUCTION AND EQUIPPING OF THE IMPERIAL MEDICAL CENTER CURRENTLY IN THE DESIGN PHASE UNDER THE DIRECTION OF A U.S. FIRM. ACTIONS SUGGESTED UNDER CAMPAIGN 3-COMPUTERS AND PERIPHERALS APPEAR SATISFACTORY.

5. OTHER SPECIAL POST EFFORTS (OSPE'S): ACTIVITY NUMBER 1 - MAJOR INFRASTRUCTURE PROJECTS REMAINS AS AN IMPORTANT GOAL FOR U.S. SUPPLIERS, BOTH IN TERMS OF IMMEDIATE ACTIVITY AND DOWNSTREAM PROCUREMENT BENEFITS WHICH WILL

ACCRUE AND WE AGREE WITH THE ACCORDING OF PRIORITY NUMBER 1 TO THIS GOAL. AFTER PUBLICATION OF THE GOVERNMENT OF IRAN'S 6TH DEVELOPMENT PLAN AND ITS BUDGET FOR 1978-79, THE POST SHOULD MAKE A STRONG EFFORT TO IDENTIFY ONGOING AND NEW PROJECTS WHICH MAY BE OPEN TO AMERICAN FIRMS. ACTIVITY NUMBER 3-TEHRAN INTERNATIONAL TRADE FAIR (TITF): IN VIEW OF THE DECISION NOT TO PARTICIPATE IN OFF-SITE SHOWS IN FY-1979 AND POSITIVE EVALUATION OF 1977 TITF, WE SUGGEST RAISING PRIORITY OF TITF PARTICIPATION TO NUMBER 4, IMMEDIATELY FOLLOWING MAJOR PRODUCTS AND

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UNCLASSIFIED

PAGE 05 STATE 035263

THE THREE CAMPAIGNS. FOR OSPE NUMBER 2-TRADE PROMOTION EVENT SUPPORT, WE NOTE THAT FOUR SHOWS ARE NOW ON THE USTC SCHEDULE, SUPPORT FOR TWO OF WHICH IS ALREADY INCORPORATED INTO CAMPAIGNS TWO AND THREE.

6. WE ALSO NOTE THAT ACTIONS SUGGESTED UNDER CAMPAIGNS AND OSPE NUMBER SHOULD RESULT IN EXCELLENT INPUT FOR FTI AND A CONTINUATION OF THE WORK OF THE POST IN THE PAST YEAR IN DEVELOPING PRIVATE TRADE OPPORTUNITIES.

7. WE WOULD WELCOME QUESTIONS OR OBSERVATIONS SHOULD POST FIND IT DESIRABLE TO DO SO PRIOR TO SUBMISSION OF ITS FINAL DRAFT CCP CONTRIBUTION. VANCE

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